

**Judicial Retirement Plan
Actuarial Services**

RFP-020-1800000318

PURPOSE

This Request for Proposals (RFP) is issued by the Kentucky Judicial Retirement Plan (JRP) for the purpose of hiring an actuarial consulting firm (Actuary) to provide services to JRP. The Actuary will provide all required services in accordance with federal and state statutes and the Contract between JRP and the Actuary. Execution and amendment of the Contract, retention of the Actuary and approval of all recommended actuarial assumptions and methods are responsibilities of JRP's governing Board of Trustees. The operational oversight of services provided under the Contract is the responsibility of the Executive Director.

JRP currently provides pension benefits and medical insurance benefits to 611 active, inactive and retired members and beneficiaries, through its Defined Benefit Plan and Hybrid Cash Balance Plan.

Proposals will be accepted from any firm that meets the qualifications as stated below and is willing and able to provide the services outlined in this RFP.

QUALIFICATIONS

To be considered as the Actuary for the purpose stated above, the firm must meet the following minimum qualifications.

1. The firm must be a professional actuarial consulting firm that provides actuarial valuation, experience investigations, asset/liability studies, actuarial audits, and pension consulting services.
2. The actuary performing the services under the Contract must be a Fellow of the Society of Actuaries and an enrolled actuary.
3. The firm must have all necessary permits and licenses. Liability insurance must be in effect at the time the proposal is submitted and throughout the duration of the contract. If liability insurance is "claims made form" the firm shall maintain coverage for a period of five years after the contract expires. The firm must not require a limitation of liability for negligence.

4. The firm must have five (5) years of experience as an actuary providing pension consulting services, experience analysis and valuation assignments for a public retirement system.
5. The actuary performing the services under the Contract must have experience testifying before legislative and administrative bodies in support of actuarial positions and/or the principles used in valuing a retirement system and determining the actuarial impact of legislation.
6. The firm must provide its own work facilities, equipment, supplies and support staff to perform the required services.

SCOPE OF SERVICES

1. General Duties.

- A. Load and reconcile JRP data. JRP will furnish the Actuary with all data and statistical information deemed necessary to perform the specified contract services. Data will be provided in a form agreed upon by JRP and the Actuary.
- B. Treat all member information as confidential. The Actuary is expected to keep all member and annuitant information confidential.
- C. Seek written consent prior to public release of information. With respect to any publication or information regarding the actuarial services provided under the terms of a resulting contract, the Actuary shall identify JRP as the sponsoring agency and shall not release any information without prior approval of the Executive Director, or appointed designee. This information includes, but is not limited to, press releases, research and reports.
- D. Communicate directly to the Executive Director (or appointed designee). JRP expects the Actuary to route all requests, reports and all other communication in connection with the contract through the Executive Director, or appointed designee.
- E. Document discussion ideas, issues, and manage extended services. Share responsibility with JRP for documenting in writing all ideas and issues that arise in discussions and meetings. The Actuary must review, approve and sign all price quotations for extended services, final reports, correspondence regarding actuarial assumptions and other technical issues.

2. Valuation Services.

- A. To perform an actuarial valuation of JRP as of July 1, 2018, to determine the present value of pension benefits in compliance with various Statements of the Governmental

Accounting Standards Board. The valuation must be completed by September 30, 2018.

- B. To perform an actuarial valuation of JRP as of July 1, 2019, to determine actuarial soundness and funding requirements for the fiscal biennium 2020-2022 as required by the Kentucky Revised Statutes (KRS), and to determine the present value of pension benefits in compliance with various Statements of the Governmental Accounting Standards Board. The valuation must be completed by September 30, 2019.

- C. KRS 21.525 provides:

- (1) The state, by appropriation to the Judicial Retirement Board, shall contribute annually to the Judicial Retirement System an amount equal to the percent as computed under subsection (2) of this section of the creditable compensation of active members of the Judicial Retirement System, to be known as the "normal contributions," and an additional amount equal to one percent (1%) of the unfunded past service liabilities, plus annual interest accruing thereon at the actuarially assumed rate of interest adopted by the board to be known as the "past service contribution."*
- (2) The normal contribution rate shall be determined either by the entry age normal cost funding method or the unit credit actuarial method, as selected by the board. The past service liability shall be determined by actuarial methods consistent with the methods prescribed for determining the normal contribution rate. The board shall adopt the actuarial assumptions that are to be used in making the determinations.*
- (3) Normal contributions and the past service liability contribution for each fiscal biennium shall be determined on the basis of the actuarial valuation last preceding the commencement of the biennium.*
- (4) Employer costs for the hybrid cash balance plan as provided by KRS 21.402 shall be incorporated into the employer contribution rate of the Legislators' Retirement Plan and the Judicial Retirement Plan as a new benefit tier within the plans.*

3. Consultation and Advisory Services.

- A. Provide actuarial consultation and advisory services. These services will be delivered in meetings and by telephone calls, written correspondence and reports. JRP expects these services may include public testimony to committees, board, commissions and legislators on any technical, policy, legal or administrative issues arising during the course of JRP's operations. The Actuary should be readily accessible to the Executive Director, or appointed designee, by telephone within one (1) working day and will be available for meetings within ten (10) working days of a request. JRP

expects the Actuary to attend a minimum of one (1) meeting with the Board during the two-year biennium. JRP anticipates that the Actuary may be called upon to attend a minimum of one (1) meeting/legislative hearing during the two-year biennium.

- B. Prepare actuarial cost analysis of proposed legislation. The Actuary shall provide timely actuarial cost analysis of proposed statutory amendments as requested by the Executive Director, or appointed designee. An actuarial cost analysis must be completed in accordance with KRS 6.350. JRP expects the Actuary to prepare an average of five (5) estimates per legislative session. The majority of these actuarial analysis requests will occur during the regular session of the Kentucky General Assembly (even number years), and may require the Actuary's response within three working days or sooner.

4. Extended Contract Services.

- A. Conduct experience studies. The Actuary shall conduct an experience study, mandated by KRS 21.440(1)(b), during the first year of the Contract. The study will include, but not limited to, investment returns, salary increases, termination rates, medical coverage and medical trend costs.
- B. Perform purchase/transfer calculations. When requested, the Actuary will determine the liability to JRP for a JRP Defined Benefit member to purchase qualified nonjudicial service credit and/or transfer qualified nonjudicial service credit from one of the other state retirement systems. The actuarial cost of the service to JRP is based on assumptions used in the most recent biennial valuation. Only a vested JRP member can purchase and/or transfer nonjudicial service credit, and historically, requests are made more frequently at the beginning and end of the judicial terms. JRP anticipates that the Actuary will be requested to provide between ten (10) and twenty-five (25) purchase/transfer calculations during a fiscal year.
- C. Perform optional calculations.
 - (1) **Defined Benefit Plan Members/Retirees.** When requested, the Actuary will determine optional benefit calculations. Survivorship benefits are available to a qualified spouse of the member of JRP. By statute, the survivorship benefit is the equivalent of 50% of the member's benefit. In lieu of the statutory survivorship option, the member may select either a survivorship one hundred percent (100%) option, or a survivorship sixty-six and two-thirds percent (66-2/3%) option. In calculating the options, both the member's anticipated benefit and the 50% spousal anticipated benefit are included in the formula. Most retirements occur at the end of a judicial term. JRP anticipates that the Actuary will be requested to provide optional calculations for no more 20% of the JRP members standing for election for a particular election cycle. District Judges are standing for election in November 2018; Circuit Judges and Court of Appeals Judges are standing for

election in November 2022; the seven Supreme Court Justices serve staggered terms.

- (2) **Hybrid Cash Balance Plan Members/Retirees.** When requested, the Actuary will calculate a lifetime annuity (with survivorship options set forth above) based on the member's accumulated account balance.

ADMINISTRATIVE AND PROPOSAL SUBMISSION INFORMATION

Instructions for Submitting a Proposal.

Proposals shall be submitted with a letter providing factual and verifiable information that the firm meets the RFP qualifications, and that the firm is able and willing to provide the type and level of services requested in this RFP.

All questions relating to the RFP shall be directed to the Executive Director at the address or e-mail below:

Donna S. Early
Executive Director
Kentucky Judicial Form Retirement System
305 Ann Street
Suite 302, Whitaker Bank Building
Frankfort, Kentucky 40601
Telephone: 502-564-5310
Fax: 502-564-2560
E-Mail: DonnaS.Early@ky.gov

Proposals shall be submitted to JRP at the above address by **12:00 p.m. EST, on Monday, May 14, 2018.** Faxed responses are **not** considered acceptable, and will not be reviewed.

Responding firms shall submit five (5) copies of their proposal. The Proposal should be sealed in an envelope and clearly marked: **Judicial Retirement Plan RFP Actuarial Services.**

Fee.

The Actuary's fee for services identified in **Scope of Services 2.A., 2.B. and 4.A.** shall be a flat sum.

The Actuary's fee for services identified in **Scope of Services 3.A. and 3.B.** shall be an hourly rate.

The Actuary's fee for services identified in **Scope of Services, 4.B. and 4.C.** shall be a flat sum per calculation, not to exceed \$150.00 per member calculation for the services identified in 4.B., and not to exceed \$100.00 per retiree calculation for the services identified in 4.C.

Rejection of Proposals.

JRP reserves the right to reject any or all proposals, in whole or in part received by this request, due to noncompliance with the requirements of this RFP or for any other reason. JRP will not pay for any information herein requested, nor is it liable for any costs incurred by the submitting firms.

Firms whose proposals do not meet the mandatory requirements will be so notified. After evaluation of the proposals and awarding of the Contract, all firms having submitted proposals will be notified of the successful firm.

JRP reserves the right to not hire or to defer the hiring of a firm for these management services.

Disclosure of Proposal Content.

All proposals submitted shall become the property of JRP and shall not be subject to public inspection until the award of a contract or at the discretion of the Board. All proposals will be subject to Kentucky Open Records provisions upon completion of the search process.

Disposition of Proposals.

All proposals become the property of JRP and will not be returned to the provider. Late proposals will be returned to the provider unopened.

Kentucky Statutes and Rules.

The terms and conditions of this RFP and the resulting Contract shall be construed in accordance with the laws of Kentucky.

Evaluation of Proposals and Award of Contract.

JRP's governing Board will evaluate the Proposals and the selection will be based on the following factors:

Experience – the firm's prior experience with public retirement systems (30 points)

Key Personnel – qualifications and availability of the firm's personnel (25 points)

Work Plan – the firm's ability to provide all identified services (25 points)

Cost – fees submitted for the identified services (20 points)

The Board may consider any factors it deems necessary and proper that provides the best value to JRP. JRP reserves the right to award this contract not necessarily to the firm with the lowest fee and cost proposal, but to the firm which will provide the best match to the requirements of the RFP.

Term of Contract

The Contract shall commence on July 1, 2018 and shall end on June 30, 2020, and it shall be eligible for two two-year renewals thereafter, subject to mutual agreement. The resulting Contract may be terminated at JRP's discretion, with or without cause, after thirty (30) days written notice to the Actuary.